Supreme Court, U.S.
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No. 98-1653

IN THE

Supreme Court of the United States

TOUGH TRAVELER, LTD.,

Petitioner,

v.

OUTBOUND PRODUCTS, TAYMOR INDUSTRIES, LTD. and TAYMOR INDUSTRIES, U.S.A.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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PARTIES TO THE PROCEEDING

The petition accurately lists the parties to the proceedings.

Taymor Industries Ltd. has no parent company, and no publicly traded company owns ten percent or more of the stock of Taymor Industries Ltd.

Outbound Products is a division of Taymor Industries Ltd. and is not separately incorporated.

Taymor Industries USA Inc. is a wholly owned subsidiary of Taymor Industries Ltd.

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RESPONDENTS' STATEMENT OF THE CASE

The present case involves the question of the alleged infringement by Respondents of trade dress belonging to Petitioner, Tough Traveler. Most significantly, the alleged trade dress in this case consists of the product configuration of backpack type child carriers.

Another particularly relevant factual aspect in this case is that all of the products sold by Respondents bore a label, permanently and prominently displayed on the outside, which clearly designated Respondent, OUTBOUND, as the source of the product. The label is clearly distinctive from Petitioner's. A.4-6, 30.

While the record contains evidence of intentional copying, it contains no other evidence of bad faith or intent to deceive consumers. A.35-37; R.788.

After the parties in this case had completed all discovery, Respondents filed and served a motion for summary judgment. R.18. The district court granted Respondents' motion on issue of noninfringement, and dismissed the Complaint. A.42. Petitioner Tough Traveler appealed to the Court of Appeals for the Second Circuit, which then affirmed the district court's judgment. In so doing, the circuit court expressly stated that it was affirming based upon a *de novo* consideration of the case. A.6-7.

In its appeal to the Second Circuit, the Petitioner contradicted the issue it now emphasizes, that is, that a presumption of likelihood of confusion should arise from the Respondents' alleged intentional copying of Petitioner's trade dress. *See* Brief of Appellant, Apr. 16, 1998 at 7.

Petitioner, in its brief on appeal to the Second Circuit, merely cited with approval the district's court's holding that any intentional copying is a positive factor in Petitioner's favor on the issue of likelihood of confusion. Not until Petitioner's unsuccessful motion for reconsideration did it raise the issue of the asserted "presumption" before the Second Circuit. *See* Petition for Rehearing of Appellant, Nov. 3, 1998 at 8.

REASONS FOR DENYING THE WRIT

A. Petitioner's discussions of the rationale of the district court's decision are irrelevant because the Second Circuit's affirmance was based on the circuit court's *de novo* review.

With all due respect, Petitioner's arguments, to the extent that they are directed to the rationale of the district court decision, should be disregarded. The appeal to the Circuit Court of Appeals for the Second Circuit was reviewed and resolved *de novo.*[1]

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1. The circuit court stated:

> We therefore find that summary judgment was properly granted for the appellees. In doing so, our *de novo* determination of whether summary judgment properly granted does not rest exclusively on these factors or on a mechanical formula for analyzing them. . . . We believe that the undisputed sophistication of the consumers, the lack of evidence that any consumer has been confused, and the use of labels to identify the source of the products, would preclude a reasonable trier of fact from finding a likelihood of confusion between the products., In addition, the weakness of appellant's trade dress strengthens this conclusion even when taking into account the possible bad faith on the part of Outbound.

A.6.

Thus, substantial portions of Petitioner's brief concern matters rendered irrelevant by the appellate decision. These sections are not truly before this Court, even if certiorari were to be granted. They are merely straw men, which provide ready points to be rebutted or used as support, by Petitioner; such matters thus include issues that were found in Petitioner's favor as well as determinations objected to by Petitioner.

The circuit court affirmed the district court's judgment in this case. It clearly did not accept the district court's rationale. Thus, except where expressly passed on by the circuit court in its decision, the inferences and findings relied upon by the district court would not be before this Court on appeal.

Notwithstanding the irrelevance of the district court's basis of judgment, it should be noted that the Petition contains several misleading characterizations of the record. For instance, Petitioner claims that the district court made factual findings that Petitioner's product was inherently distinctive (Pet. 5, 9, 12, 24) and that Respondents acted in bad faith. Pet. 3, 24. A more accurate characterization would be that the district court found that inherent distinctiveness presented a triable issue of fact, and that while it doubted that a trier-of-fact would find bad faith, the court drew the inference in Petitioner's favor. *See* A.21-22, 36-37. Petitioner also alleges that the district court made an explicit finding that Respondent's product was inferior, and that the district court relied on this finding in its likelihood-of-confusion analysis. Pet. 4, 17-18, 24. Neither of these statements is true. The court made no such finding (A.37) and did not consider this factor in this decision. A.37, 41-42.

B. Petitioner's present argument in favor of a presumption is inconsistent with its position before the Second Circuit.

The argument raised in this Petition, that Petitioner was entitled to a presumption of likelihood of confusion, was never considered by the Second Circuit and is inconsistent with Petitioner's position before that court. In Petitioner's initial appellate brief before the circuit court, Petitioner expressed its approval that the trial court had treated bad faith as an inconclusive factor that weighed in support of a likelihood of confusion. Brief of Plaintiff-Appellant, Apr. 16, 1998 at 7. After the court had rendered its opinion, however, Petitioner sought a rehearing, and for the first time raised the claim that a presumption of confusion under Second Circuit and New York Law should have been applied by the Second Circuit. Petition for Rehearing of Appellant, Nov. 3, 1998 at 8. It is incorrect for Petitioner to allege that the circuit court "declined" to apply the presumption. Pet. 9. Thus, this Petition asks this Court to review an issue not previously considered by the lower courts and should be denied. *See Singleton v. Wulff*, 428 U.S. 106, 120 (1976).

C. The standards for evaluating likelihood of confusion in a product configuration case are different from those in a packaging case.

Petitioner has failed to recognize a significant distinction among the several cases cited and the present case: Specifically, the present case involves trade dress based upon the configuration of the product itself, rather than the appearance of packaging or of a label. Clearly, not all circuits have yet reached the issue as to whether packaging trade dress should be distinguished from product

configuration trade dress in assessing the issues when determining likelihood of confusion. Thus, as a matter of inter-circuit comparison, this issue has not yet matured. Generally, however, those circuits that have addressed the issue have declined to treat the two categories in the same manner, especially as regards the question of whether "copying-equals-confusion" should be a presumption as advocated by Petitioner.

The Second Circuit, as well as most circuits that have considered the issue, have recognized that these two distinct trade dress situations each require a different approach. As a matter of reasonableness, product configuration trade dress infringement cases are ill suited to employ a mandatory presumption of likelihood of confusion. Such a presumption is more reasonable in packaging or label cases.

In the package design context, a junior user has many choices and little excuse for inviting confusion by copying a senior user's package design. It is recognized in both the Fifth and the Second Circuits that the "possible varieties of advertising display and packaging are virtually endless." *Fun-Damental Too, Ltd. v. Gemmy Industries Corp.*, 111 F.3d 993, 1000 (2d Cir. 1997); *see also Chevron Chemical Co. v. Voluntary Purchasing Groups*, 659 F.2d 695, 703 (5th Cir. 1981). Thus, in the packaging context, intentional copying alone may be cited as support for a finding of distinctiveness. *See RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1060 (2d Cir. 1979) (intentional copying supports finding of secondary meaning of fruit punch label); *Osem Food Ind. Ltd. v. Sherwood Foods, Inc.*, 917 F.2d 161, 163 (4th Cir. 1990) (copying of food packaging supports finding of secondary meaning). Similarly, given the "endless" packaging options available to a junior user, it is

reasonable to presume that consumers are indeed confused when confronted with a counterfeit package intended by the junior user to confuse.

But a rule for assessing likelihood of confusion must account for the realities of the marketplace, *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 275 (7th Cir. 1976), and marketplace realities are different for product configuration trade dress. The Second Circuit has recognized that "although there may be a finite set of ways to configure a product the variety of packaging available for a given product is limited only by the bounds of imagination." *Fun-Damental Too*, 111 F.3d at 1001. When the copied item is a product configuration, which consumers are less likely to view as a source indicator, the presumption of likelihood of confusion is counterintuitive. It is only appropriate that these different market circumstances would warrant a different rule for evaluating circumstantial evidence. Thus, in product configuration cases, the Second Circuit does not impose a presumption of likelihood of confusion from the mere act of copying; instead it reasonably permits the inference of a likelihood of confusion in the presence of the elements of copying plus additional evidence of intent to confuse. *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 383 (2d Cir. 1997). In product configuration cases, it is recognized that "simulating the design of a competitor's successful product is not bad faith unless there is reason to draw an inference of an intention to deceive. . . . The record demonstrates no such intent." *Id.* There is no such additional evidence in the Petitioner's case, either.

D. Petitioner incorrectly claims numerous circuit courts would differ from the Second Circuit as to the creation of a presumption of likelihood of confusion in this case.

Petitioner fails to recognize the difference between packaging cases and product configuration cases in determining whether an inference of likelihood of confusion will arise. Pet. at 4-6, 8. To support its position that the inference arises from the mere fact of intentional copying, Petitioner refers exclusively to older Second Circuit product packaging and trademark cases. *See Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987) (pegasus logo); *Oral-B Laboratories, Inc. v. Mi-Lor Corp.*, 810 F.2d 20, 23 (2d Cir. 1987) (defendant admitted effort to divert customers by copying toothpaste package); *Harlequin Enterprises Ltd. v. Gulf & Western Corp.*, 644 F.2d 946 (2d Cir. 1981) (romance novel cover); *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058 (2d Cir. 1979) (Hawaiian Punch label); *My-T Fine Corp. v. Samuels*, 69 F.2d 76, 77 (2d Cir. 1934) (in pudding package dispute, court was motivated by evidence of intent to deceive).

As explained above, the Second Circuit, in the context of trade dress product configuration, requires something more than evidence of mere copying; it requires additional evidence that it was done with the intent to deceive customers as to the product origin. Only then may the factfinder infer that a likelihood of confusion will result. *See Landscape Forms*, 113 F.3d at 382 (citing Restatement (Third) of Unfair Competition § 22 cmt. c); *Fun-Damental Too, Ltd. v. Gemmy Industries Corp.*, 111 F.3d 993, 1005 (2d Cir. 1997) (intentional copying of toilet-shaped bank and its package, plus evidence of bad faith, justified a permissive inference of likelihood of confusion).

Petitioner correctly notes that the Third and Seventh Circuits reject the notion of a mandatory presumption of likelihood of confusion in production configuration trade dress infringement cases.

However, contrary to Petitioner's argument, the Fifth Circuit would not create an inference or a presumption under the facts of the present case. The Fifth Circuit has stated that "if the mark was adopted *with the intent of deriving benefit from the reputation of [the plaintiff]*, that fact alone may be sufficient to justify the inference that there is confusing similarity." *Sno-Wizard Mfg., Inc. v. Eisemann Prods. Co.*, 791 F.2d 423, 428 (5th Cir. 1986) (emphasis added) (cited by Petitioner). However, there is no evidence in the present case of such intent.

It is further noted that Petitioner has misstated the Fifth Circuit rule by substituting the term "presumption" for "inference." (Pet. 10). An inference is not a presumption. *Compare Black's Law Dictionary* (6th ed. 1990) (inference is "[a] logical and reasonable conclusion of a fact not presented by direct evidence but which, by process of logic and reason, a trier of fact may conclude exists from the established facts") *and* Fed. R. Evid. 301 ("a presumption imposes on the party against whom it is directed the burden of going forward with evidence to rebut or meet the presumption").

As to the cited Sixth Circuit decision in *Esercizio v. Roberts*, 94 F.2d 1235 (6th Cir. 1991), *cert. denied*, 505 U.S. 1219 (1992), Petitioner fails to quote the relevant portion of the opinion. In that case, involving the exact copying of the famous Ferrari automobile body, the court stated that "[i]ntentional copying, however, is not actionable under the

Lanham Act 'absent evidence that the copying was done with the intent to derive a benefit from the reputation of another.' " 94 F.2d at 1243. Again, the facts of the present case would lead to the same result in the Sixth Circuit as here in the Second Circuit.

The Ninth Circuit authority cited by Petitioner also does not indicate that a different result would be obtained in that circuit. First, the cited case, *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378 (9th Cir. 1987) is directed to antifreeze *packaging*. In addition, the Ninth Circuit stated that "if the trade dress were adopted with the intent of depriving [*sic*] benefit from the reputation of the plaintiff, that fact alone may be sufficient to justify *inference* that there is confusing similarity." 809 F.2d at 1385 (emphasis added). The court in *First Brands* did not find wrongful intent, and as a result did not find confusion. Accordingly, again there would be no different result in the Ninth Circuit as here in the Second Circuit, under the facts of this case.

E. The Fourth and Eleventh Circuits would not permit a presumption of likelihood of confusion in this case.

Contrary to Petitioner's assertion, in a product configuration situation, Fourth Circuit authority would not impose a presumption of a likelihood of confusion based solely upon a finding of intent to copy. Pet. 4, 6-8; *see Shakespeare Co. v. Silstar Corp.*, 110 F.3d 234, 241 (4th Cir. 1997), *cert. denied*, 118 S. Ct. 688 (1998) (in fishing rod case, "[the] presumption [of likelihood of confusion] arises only where the intentional copying is motivated by an intent to exploit the good will created by an already registered trademark"). Petitioner supports its position by citing the earlier case of *Osem Food Ind. Ltd. v. Sherwood*

Foods, Inc., 917 F.2d 161 (4th Cir. 1990) (a food packaging case). *Shakespeare*, in its discussion, clarified *Osem* by explaining that in order to establish a presumption, "an intent to derive a benefit or confuse consumers" must be shown in addition to intentional copying. *Shakespeare*, 110 F.3d at 241. Thus, under the facts of the present case, where only intentional copying was shown, there would be no finding of confusion in the Fourth Circuit. In addition, *Shakespeare* requires that the trademark be registered before the presumption would arise.

In its reference to Eleventh Circuit authority, Petitioner continues to confuse an "inference" and a "presumption." Pet. at 11 (citing *Ambrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1542 (11th Cir. 1986), *cert. denied*, 481 U.S. 1041 (1987) ("a finding that Kraft adopted the trade dress with the intent of deriving benefit from the reputation of Isaly's Klondike [ice cream bar package] may alone be enough to justify the inference that there is confusing similarity")). *Ambrit*, however was a packaging case. *Bauer Lamp Co. v. Shaffer*, 941 F.2d 1165, 1172 (11th Cir. 1991), represents the significance of establishing evil intent in the Eleventh Circuit. In that case, strong, independent evidence established that defendants "were out to destroy" plaintiff's lamp market. Even though the court recognized a rebuttable presumption of likelihood of confusion, it cited as authority cases that authorized only a permissive inference. *Id.*, citing *AmBrit*, 812 F.2d at 1542; *Varitronics Systems, Inc. v. Merlin Equipment, Inc.*, 682 F. Supp. 1203, 1206-07 (S.D. Fla. 1988).

F. This Court's precedents do not support Petitioner's position.

The language quoted from this Court's decision in *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (Pet. 15), is clearly taken out of context. It was stated by the Court in the context of explaining why the Second Circuit's prior position with respect to the issue of distinctiveness of trade dress was incorrect. At that time, the Second Circuit was out of step with most of the other circuits. In the present situation, as explained above, the Second Circuit's holdings, at least in the context of the facts of this case, are substantially the same as the circuits referred to by Petitioner.

G. Under the legal standard proposed by Petitioner, the Second Circuit would reach the same result.

The Second Circuit's analysis reveals that, even under the regime proposed by Petitioner, the outcome of this case would be no different. The Second Circuit accorded Petitioner the inference of bad faith and yet resoundingly found no likelihood of confusion as a matter of law. A.6. In its *de novo* review, the court found that Petitioner's trade dress was incontrovertibly weak. A.4. The court noted that the sophistication of the purchasers of the parties' products was beyond dispute. A.5-6. The court's post-discovery determination took into account the utter lack of evidence of actual confusion. A.6. Finally, the court recognized the importance of Respondent's use of labels on its products. A5-6. Based on these factors among others not enumerated, the court concluded that no reasonable trier of fact could find a likelihood of confusion between Petitioner's and Respondents' products. The force of the circuit court's

language demonstrates that, even if it were to presume a likelihood of confusion, the undisputed facts would again prove otherwise. The Second Circuit already gave Petitioner the benefit of an inference of bad faith and found that, as a matter of law, the undisputed facts of record could not support a finding of likelihood of confusion. In essence, Petitioner asks this court to send this case back in order to exercise a presumption that has already been rebutted.

H. Under the legal standard set forth by Petitioner and the undisputed facts, remand in the Second Circuit would yield a finding of no bad faith.

The face of the district court's opinion reveals that it erred in its inference of bad faith. The court plainly misread the sole document upon which it based its reticent inference of bad faith, the letter from Respondents to their manufacturer. That letter is quoted in the district court's decision, following which the court's opinion shows that it mistook the words "if not advisable" to mean "inadvisable." A.36, R.788.

Further, although the district court recited evidence showing that Respondents intended to copy Petitioner's product configuration, the court made a leap to an inference of bad faith upon nothing more than evidence of intent to copy. As shown above, it is generally the rule that mere intentional copying of a product, without further evidence of intention to deceive, does not support an inference of confusing similarity, and does not result in an inference of "bad faith." *See Landscape Forms*, 113 F.3d at 383. Therefore, any court reviewing the facts of this case and drawing all favorable inferences for Petitioner would nonetheless find that Respondents did not act in bad faith.

CONCLUSION

Because Petitioner's second and third questions presented do not warrant review by the Supreme Court, Respondent does not intend to address them unless requested to do so by the Court.

For the reasons given above, the petition should be denied.

Respectfully submitted,

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